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Presentation to the Joint Standing Committee on Appropriations and Financial Affairs, 2006

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Joint Standing Committee Appropriations and Financial Affairs

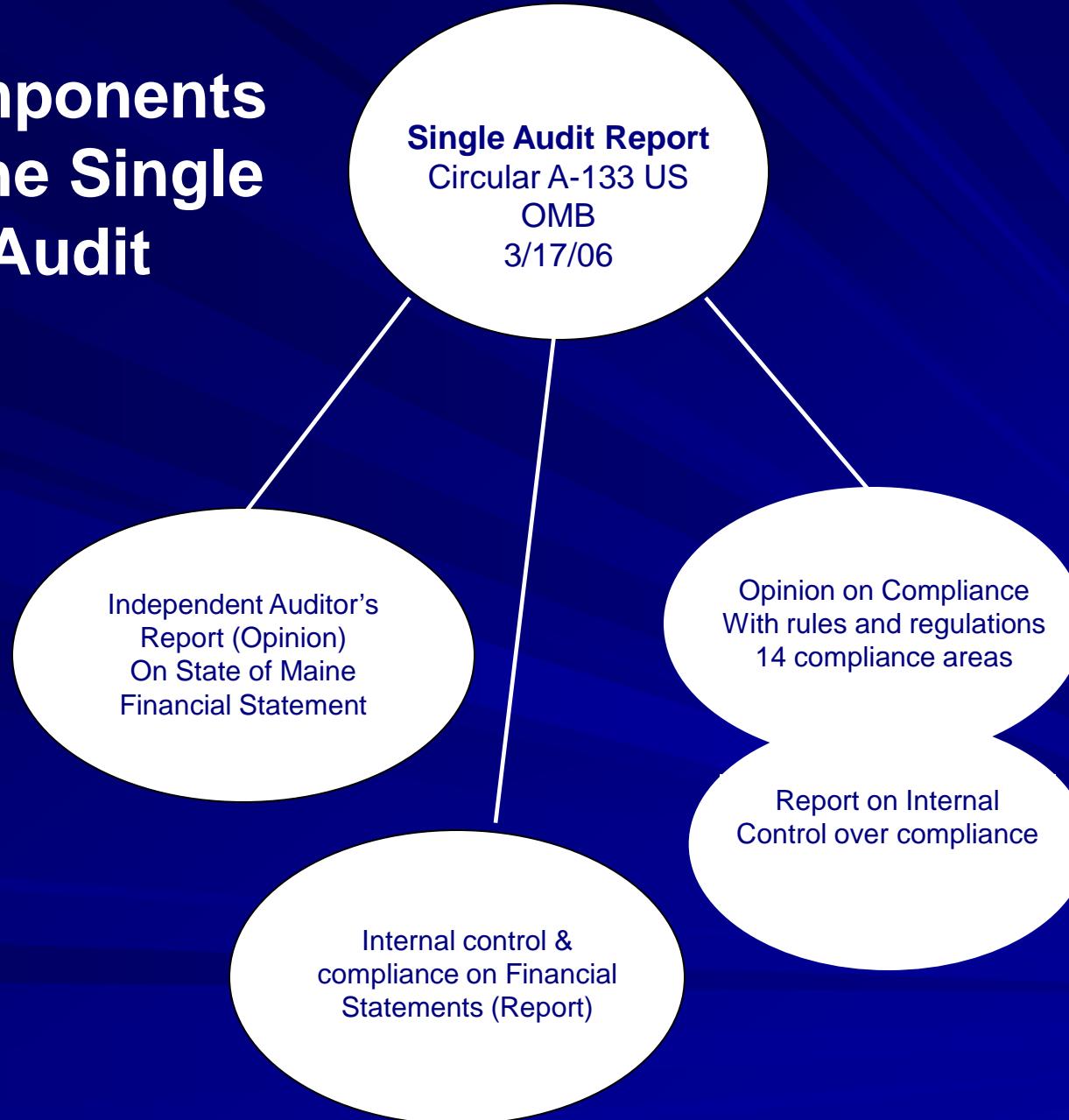
Maine Department of Audit
Neria R. Douglass, JD, CIA
State Auditor

August 24, 2006

2005 Single Audit

- Maine Department of Audit performs the Single Audit
 - required for receipt of **\$2.7 Billion+ (FY 2005)**
 - **federal assistance** for specific grants and programs
 - audit of **25 programs** that are 91% of total
- Audit examines the State's
 - financial statements
 - internal control systems
 - compliance with laws and regulations
- We report instances of noncompliance and internal control weaknesses as findings

Components of the Single Audit



2005 Single Audit

- Audit issued a “clean” or “unqualified” opinion on 2005 financial statements of the State of Maine
- Fourth consecutive “clean” financial statement opinion shows improvement in accounting & financial reporting
- 3 financial statement findings:
 - Medicaid financial activity
 - Lottery account variance
 - Reporting on fixed assets

2005 Single Audit

- Audit issued a “clean” or “unqualified” opinion on compliance with 23 programs, 9 at DHHS
- Audit qualified the opinion on 2 DHHS programs for noncompliance with federal requirements:
 - **Medicaid Cluster:**
 - MECMS (05-31 and 05-56) functional claims management system
 - MR Waiver (05-57) compliance with allowable costs and activities
 - **Social Services Block Grant:** earmarking (05-54)

2005 Single Audit

- Findings are reported to the federal oversight agency, which determines further action
- 71 findings:
 - 69 reportable conditions of internal control and/or noncompliance with federal requirements;
 - 51 reportable conditions at DHHS
 - \$8.1 Million questioned costs plus undeterminable costs

Findings by Questioned Costs

2005 Audit Finding	Program	Department	Bureau	2004 Audit Finding	Known Questioned Costs	Likely Questioned Costs
05-54	Social Services Block Grant	DHHS	Office of Child and Family Services	04-50	\$3,100,000	\$0
05-04	Food Stamp Cluster	DAFS	DHHS Service Center	04-24	\$1,277,640	\$0
05-34	Various/working capital	DAFS	OIT	04-09	\$1,170,000	\$0
05-35	Various/Cost Allocation	DAFS	DHHS Service Center	04-62	\$1,065,582	\$0
05-20	Child Support Enforcement	DAFS	DHHS Service Center	No	\$569,102	\$0
05-47	Immunization Grants	DHHS	Maine Center for Disease Control & Prevention	04-29	\$427,504	\$0
05-27	Foster Care Adoption Assistance	DAFS	DHHS Service Center	04-46	\$307,382	\$1,229,528
05-15	Immunization Grants	DAFS	DHHS Service Center	04-30	\$80,887	\$0

Findings by Questioned Costs

2005 Audit Finding	Program	Dept	Bureau	2004 Audit Finding	Known Questioned Costs	Likely Questioned Costs
05-22	Child Support Enforcement	DAFS	DHHS Service Center	04-35	\$49,431	\$0
05-24	Child Support Enforcement	DAFS	DHHS Service Center	04-37	\$47,924	\$0
05-53	Adoption Assistance	DHHS	Office of Child & Family Services	04-47	\$13,944	\$925,106
05-55	Medicaid Cluster	DHHS	Office of Child & Family Services	04-55	\$6,258	\$8,100,231
05-14	Immunization Grants	DAFS	DHHS Service Center	04-27	\$0.00	\$0.00
05-31	Medicaid Cluster	DAFS	OIT/Maine Care	No	\$0.00	\$0.00
05-56	Medicaid Cluster	DHHS	OIT/Maine Care	No	\$0.00	\$0.00
05-57	Medicaid Cluster/MR Waiver	DHHS	Office of Maine Care Services	No	Undeterm.	Undeterm

General Summary

- The State administers over 300 different federal programs, 82 of them at DHHS
- Of 25 (\$2.7 B) programs audited, 23 programs were in compliance in all material respects, although we identified 71 deficiencies.
- \$8.1 Million and an undeterminable amount in questioned costs are in DHHS
- Other questioned costs at DOE

Days to Complete Fieldwork



Productivity of Audit Staff

- Fieldwork on FY 2005 financial statements ended 12/9/2005-- possible GFOA award
 - **99 days ahead** of FO2004
 - **141 days ahead** of FO2003
- Fieldwork on FY 2005 Single Audit completed 3/18/06–
 - **60 days ahead** of SA2004
 - **94 days ahead** of SA2003

Challenges in 2006

- Our Auditors are actively recruited for other state agencies
- Of 28 auditor positions filled, 6 moved to other state agencies in less than a year:
 - More pay, higher ranges & pay status
 - Fewer certification requirements
 - Fewer professional education requirements
- Two retired, one transferred to federal

Challenges in 2006

- Maine Department of Audit faces serious challenges in keeping the timelines met in 2006 with auditor turnover over 30%
 - 7 employees hired since May 2006
 - 9 with less than 2 years auditing state accounts, very specialized work
 - Other Auditors offered agency positions
 - At least 1 applying to other state agencies

Communication

- Communication is a priority. I will meet with Committees of Jurisdiction to report and discuss findings.
- Single Audit Reports for FY 2000 to 2005 are available at:
<http://www.maine.gov/audit/reports.htm>